

111TH CONGRESS
1ST SESSION

H. R. 3670

To amend the Internal Revenue Code of 1986 to expand the incentives for the rehabilitation of older buildings, including owner-occupied residences.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 29, 2009

Mr. CARNAHAN (for himself, Mr. TURNER, Ms. SCHWARTZ, Ms. BERKLEY, Mr. CROWLEY, Mr. HINCHEY, Mr. LANGEVIN, Mr. COHEN, Mr. VAN HOLLEN, Mr. SKELTON, Mr. BLUMENAUER, Mr. CAPUANO, Mr. DELAHUNT, Mr. CLAY, Mr. CLEAVER, Mr. BRALEY of Iowa, Mr. LOEBSACK, Mr. RYAN of Ohio, Mr. HOLT, Mr. BOUCHER, Mr. KENNEDY, Mr. GONZALEZ, Mr. GORDON of Tennessee, Mr. BOSWELL, and Mr. HIGGINS) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to expand the incentives for the rehabilitation of older buildings, including owner-occupied residences.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Historic Homeowners
5 Revitalization Act of 2009”.

1 **SEC. 2. HISTORIC HOMEOWNERSHIP REHABILITATION**
 2 **CREDIT.**

3 (a) IN GENERAL.—Subpart A of part IV of sub-
 4 chapter A of chapter 1 of the Internal Revenue Code of
 5 1986 (relating to nonrefundable personal credits) is
 6 amended by inserting after section 25D the following new
 7 section:

8 **“SEC. 25E. HISTORIC HOMEOWNERSHIP REHABILITATION**
 9 **CREDIT.**

10 “(a) GENERAL RULE.—In the case of an individual,
 11 there shall be allowed as a credit against the tax imposed
 12 by this chapter for the taxable year an amount equal to
 13 20 percent of the qualified rehabilitation expenditures
 14 made by the taxpayer with respect to a qualified historic
 15 home.

16 “(b) DOLLAR LIMITATION.—The credit allowed by
 17 subsection (a) with respect to any residence of a taxpayer
 18 shall not exceed \$60,000 (\$30,000 in the case of a married
 19 individual filing a separate return).

20 “(c) QUALIFIED REHABILITATION EXPENDITURE.—
 21 For purposes of this section—

22 “(1) IN GENERAL.—The term ‘qualified reha-
 23 bilitation expenditure’ means any amount properly
 24 chargeable to capital account—

25 “(A) in connection with the certified reha-
 26 bilitation of a qualified historic home, and

1 “(B) for property for which depreciation
2 would be allowable under section 168 if the
3 qualified historic home were used in a trade or
4 business.

5 “(2) CERTAIN EXPENDITURES NOT IN-
6 CLUDED.—

7 “(A) EXTERIOR.—Such term shall not in-
8 clude any expenditure in connection with the re-
9 habilitation of a building unless at least 5 per-
10 cent of the total expenditures made in the reha-
11 bilitation process are allocable to the rehabilita-
12 tion of the exterior of such building.

13 “(B) OTHER RULES TO APPLY.—Rules
14 similar to the rules of clauses (ii) and (iii) of
15 section 47(c)(2)(B) shall apply.

16 “(3) MIXED USE OR MULTIFAMILY BUILDING.—
17 If only a portion of a building is used as the prin-
18 cipal residence of the taxpayer, only qualified reha-
19 bilitation expenditures which are properly allocable
20 to such portion shall be taken into account under
21 this section.

22 “(d) CERTIFIED REHABILITATION.—For purposes of
23 this section, the term ‘certified rehabilitation’ has the
24 meaning given such term by section 47(c)(2)(C).

1 “(e) DEFINITIONS AND SPECIAL RULES.—For pur-
2 poses of this section—

3 “(1) QUALIFIED HISTORIC HOME.—The term
4 ‘qualified historic home’ means a certified historic
5 structure—

6 “(A) which has been substantially rehabili-
7 tated, and

8 “(B) which (or any portion of which)—

9 “(i) is owned by the taxpayer, and

10 “(ii) is used (or will, within a reason-
11 able period, be used) by such taxpayer as
12 his principal residence.

13 “(2) SUBSTANTIALLY REHABILITATED.—The
14 term ‘substantially rehabilitated’ has the meaning
15 given such term by section 47(c)(1)(C).

16 “(3) PRINCIPAL RESIDENCE.—The term ‘prin-
17 cipal residence’ has the same meaning as when used
18 in section 121.

19 “(4) CERTIFIED HISTORIC STRUCTURE.—

20 “(A) IN GENERAL.—The term ‘certified
21 historic structure’ means any building (and its
22 structural components) which—

23 “(i) is listed in the National Register,

24 or

1 “(ii) is located in a registered historic
2 district (as defined in section 47(c)(3)(B))
3 and is certified by the Secretary of the In-
4 terior as being of historic significance to
5 the district.

6 “(5) REHABILITATION NOT COMPLETE BEFORE
7 CERTIFICATION.—A rehabilitation shall not be treat-
8 ed as complete before the date of the certification re-
9 ferred to in subsection (d).

10 “(6) TENANT-STOCKHOLDER IN COOPERATIVE
11 HOUSING CORPORATION.—If the taxpayer holds
12 stock as a tenant-stockholder (as defined in section
13 216) in a cooperative housing corporation (as de-
14 fined in such section), such stockholder shall be
15 treated as owning the house or apartment which the
16 taxpayer is entitled to occupy as such stockholder.

17 “(7) ALLOCATION OF EXPENDITURES RELAT-
18 ING TO EXTERIOR OF BUILDING CONTAINING COOP-
19 ERATIVE OR CONDOMINIUM UNITS.—The percentage
20 of the total expenditures made in the rehabilitation
21 of a building containing cooperative or condominium
22 residential units allocated to the rehabilitation of the
23 exterior of the building shall be attributed propor-
24 tionately to each cooperative or condominium resi-

dential unit in such building for which a credit under this section is claimed.

“(8) CARRYBACK AND CARRYFORWARD OF CREDIT UNUSED BY REASON OF LIMITATION BASED ON TAX LIABILITY.—

“(A) IN GENERAL.—If the credit allowable under subsection (a) for any taxable year exceeds the applicable tax limit for such taxable year, such excess shall be a carryback to the preceding taxable year and a carryforward to each of the 3 succeeding taxable years and, subject to the limitations of subparagraph (B), shall be added to the credit allowable by subsection (a) for such preceding or succeeding taxable year, as the case may be.

“(B) AMOUNT CARRIED TO EACH YEAR.—Rules similar to the rules of section 39(a)(2) shall apply for purposes of this paragraph.

“(C) LIMITATION.—The amount of the unused credit which may be taken into account under subparagraph (A) for any taxable year shall not exceed the amount (if any) by which the applicable tax limit for such taxable year exceeds the sum of—

1 “(i) the credit allowable under sub-
 2 section (a) for such taxable year deter-
 3 mined without regard to this paragraph,
 4 and

5 “(ii) the amounts which, by reason of
 6 this paragraph, are carried to such taxable
 7 year and are attributable to taxable years
 8 before the unused credit year.

9 “(D) APPLICABLE TAX LIMIT.—For pur-
 10 poses of this paragraph, the term ‘applicable
 11 tax limit’ means—

12 “(i) in the case of a taxable year to
 13 which section 26(a)(2) applies, the limita-
 14 tion imposed by section 26(a)(2) for the
 15 taxable year reduced by the sum of the
 16 credits allowable under this subpart (other
 17 than this section), and

18 “(ii) in the case of a taxable year to
 19 which section 26(a)(2) does not apply, the
 20 limitation imposed by section 26(a)(1) for
 21 the taxable year reduced by the sum of the
 22 credits allowable under this subpart (other
 23 than this section and sections 23, 24,
 24 25A(i), 25B, 25D, 30, 30B, 30D).

1 “(9) CREDIT MAY BE ASSIGNED.—The amount
2 of qualified rehabilitation expenditures which would
3 (but for this paragraph) be taken into account under
4 subsection (a) for any taxable year by any person
5 (hereafter in this paragraph referred to as the ‘ini-
6 tial taxpayer’)—

7 “(A) may be taken into account by any
8 other person to whom such expenditures are as-
9 signed by the initial taxpayer, and

10 “(B) shall not be taken to account by ini-
11 tial taxpayer.

12 Any person to whom such expenditures are assigned
13 under subparagraph (A) shall be treated for pur-
14 poses of this title as the taxpayer with respect to
15 such expenditures.

16 “(f) WHEN EXPENDITURES TAKEN INTO AC-
17 COUNT.—In the case of a building other than a building
18 to which subsection (g) applies, qualified rehabilitation ex-
19 penditures shall be treated for purposes of this section as
20 made—

21 “(1) on the date the rehabilitation is completed,
22 or

23 “(2) to the extent provided by the Secretary by
24 regulation, when such expenditures are properly
25 chargeable to capital account.

1 Regulations under paragraph (2) shall include a rule simi-
2 lar to the rule under section 50(a)(2) (relating to recap-
3 ture if property ceases to qualify for progress expendi-
4 tures).

5 “(g) ALLOWANCE OF CREDIT FOR PURCHASE OF RE-
6 HABILITATED HISTORIC HOME.—

7 “(1) IN GENERAL.—In the case of a qualified
8 purchased historic home, the taxpayer shall be treat-
9 ed as having made (on the date of purchase) the ex-
10 penditures made by the seller of such home. For
11 purposes of the preceding sentence, expenditures
12 made by the seller shall be deemed to be qualified
13 rehabilitation expenditures if such expenditures, if
14 made by the purchaser, would be qualified rehabili-
15 tation expenditures.

16 “(2) QUALIFIED PURCHASED HISTORIC
17 HOME.—For purposes of this subsection, the term
18 ‘qualified purchased historic home’ means any sub-
19 stantially rehabilitated certified historic structure
20 purchased by the taxpayer if—

21 “(A) the taxpayer is the first purchaser of
22 such structure after the date rehabilitation is
23 completed, and the purchase occurs within 5
24 years after such date,

1 “(B) the structure (or a portion thereof)
2 will, within a reasonable period, be the principal
3 residence of the taxpayer,

4 “(C) no credit was allowed to the seller
5 under this section or section 47 with respect to
6 such rehabilitation, and

7 “(D) the taxpayer is furnished with such
8 information as the Secretary determines is nec-
9 essary to determine the credit under this sub-
10 section.

11 “(h) RECAPTURE.—

12 “(1) IN GENERAL.—If, before the end of the 5-
13 year period beginning on the date on which the reha-
14 bilitation of the building is completed (or, if sub-
15 section (g) applies, the date of purchase of such
16 building by the taxpayer)—

17 “(A) the taxpayer disposes of such tax-
18 payer’s interest in such building, or

19 “(B) such building ceases to be used as the
20 principal residence of the taxpayer or ceases to
21 be a certified historic structure, the taxpayer’s
22 tax imposed by this chapter for the taxable year
23 in which such disposition or cessation occurs
24 shall be increased by the recapture percentage
25 of the credit allowed under this section for all

1 prior taxable years with respect to such reha-
2 bilitation.

3 “(2) RECAPTURE PERCENTAGE.—For purposes
4 of paragraph (1), the recapture percentage shall be
5 determined in accordance with the table under sec-
6 tion 50(a)(1)(B), deeming such table to be amend-
7 ed—

8 “(A) by striking ‘If the property ceases to
9 be investment credit property within—’ and in-
10 serting ‘If the disposition or cessation occurs
11 within—’, and

12 “(B) in clause (i) by striking ‘One full year
13 after placed in service’ and inserting ‘One full
14 year after the taxpayer becomes entitled to the
15 credit’.

16 “(3) TRANSFER BETWEEN SPOUSES OR INCI-
17 DENT TO DIVORCE.—In the case of any transfer de-
18 scribed in subsection (a) of section 1041 (relating to
19 transfers between spouses or incident to divorce)—

20 “(A) the foregoing provisions of this sub-
21 section shall not apply, and

22 “(B) the same tax treatment under this
23 subsection with respect to the transferred prop-
24 erty shall apply to the transferee as would have
25 applied to the transferor.

1 “(i) BASIS ADJUSTMENTS.—For purposes of this
 2 subtitle, if a credit is allowed under this section for any
 3 expenditure with respect to any property (including any
 4 purchase under subsection (g)), the increase in the basis
 5 of such property which would (but for this subsection) re-
 6 sult from such expenditure shall be reduced by the amount
 7 of the credit so allowed.

8 “(j) PROCESSING FEES.—Any State may impose a
 9 fee for the processing of applications for the certification
 10 of any rehabilitation under this section provided that the
 11 amount of such fee is used only to defray expenses associ-
 12 ated with the processing of such applications.

13 “(k) DENIAL OF DOUBLE BENEFIT.—No credit shall
 14 be allowed under this section for any amount for which
 15 credit is allowed under section 47.

16 “(l) REGULATIONS.—The Secretary shall prescribe
 17 such regulations as may be appropriate to carry out the
 18 purposes of this section, including regulations where less
 19 than all of a building is used as a principal residence and
 20 where more than 1 taxpayer use the same dwelling unit
 21 as their principal residence.”

22 (b) CONFORMING AMENDMENTS.—

23 (1)(A) Paragraph (1) of section 23(c) of such
 24 Code is amended by inserting “, 25E,” after “25D”.

1 (B) Subparagraph (C) of section 25(e)(1) of
 2 such Code is amended by inserting “25E,” after
 3 “sections 25D,”.

4 (C) Subparagraph (A) of section 25D(2) of
 5 such Code is amended by inserting “and section
 6 25E” after “(other than this section”.

7 (D) Paragraph (1) of section 1400C(d) of such
 8 Code is amended by striking “section 25D” and in-
 9 serting “sections 25D and 25E”.

10 (2)(A) Clause (ii) of section 25(e)(1)(C) of such
 11 Code is amended by inserting “25E,” after “25D,”.

12 (B) Paragraph (2) of section 1400C of such
 13 Code is amended by inserting “25E,” after “25D,”.

14 (3) Subsection (a) of section 1016 of such Code
 15 is amended by striking “and” at the end of para-
 16 graph (36), by striking the period at the end of
 17 paragraph (37) and inserting “, and”, and by add-
 18 ing at the end the following new item:

19 “(38) to the extent provided in section 25E(i).”

20 (c) CLERICAL AMENDMENT.—The table of sections
 21 for subpart A of part IV of subchapter A of chapter 1
 22 of such Code is amended by inserting after the item relat-
 23 ing to section 25D the following new item:

“Sec. 25E. Historic homeownership rehabilitation credit.”.

24 (d) EFFECTIVE DATE.—The amendments made by
 25 this section shall apply with respect to rehabilitations the

1 physical work on which begins after the date of enactment
 2 of this Act.

3 **SEC. 3. EXPANSION OF INCENTIVES FOR BUILDING REHA-**
 4 **BILITATION.**

5 (a) INCREASE IN REHABILITATION CREDIT FOR
 6 BUILDINGS IN HIGH COST AREAS.—Paragraph (2) of
 7 subsection 47(c) of such Code (defining qualified rehabili-
 8 tation expenditures) is amended by adding at the end the
 9 following new subparagraph:

10 “(E) INCREASE IN CREDIT FOR BUILDINGS
 11 IN HIGH COST AREAS.—In the case of any
 12 qualified rehabilitated building which is residen-
 13 tial rental property (as defined in paragraph
 14 (2)(D)) located in a qualified census tract or
 15 difficult development area which is designated
 16 for purposes of section 42(d)(5)(C), the quali-
 17 fied rehabilitation expenditures taken into ac-
 18 count under this section shall be 130 percent of
 19 such expenditures determined without regard to
 20 this subparagraph.”.

21 (b) REHABILITATION CREDIT MAY BE TRANS-
 22 FERRED.—

23 (1) IN GENERAL.—Subsection (b) of section 47
 24 of such Code (relating to when expenditures taken

1 into account) is amended by adding at the end the
 2 following new paragraph:

3 “(3) CREDIT MAY BE ASSIGNED.—The amount
 4 of qualified rehabilitation expenditures with respect
 5 to property described in subsection (c)(1)(A)(iv)(II)
 6 which would (but for this paragraph) be taken into
 7 account under subsection (a) for any taxable year by
 8 any person (hereafter in this paragraph referred to
 9 as the ‘initial taxpayer’)—

10 “(A) may be taken into account by any
 11 other person to whom such expenditures are as-
 12 signed by the initial taxpayer, and

13 “(B) shall not be taken to account by ini-
 14 tial taxpayer.

15 Any person to whom such expenditures are assigned
 16 under subparagraph (A) shall be treated for pur-
 17 poses of this title as the taxpayer with respect to
 18 such expenditures.”.

19 (2) CONFORMING AMENDMENT.—The heading
 20 for such subsection (b) is amended by inserting “;
 21 ELIGIBILITY FOR CREDIT MAY BE ASSIGNED” after
 22 “ACCOUNT”.

23 (c) APPLICABILITY TO BUILDINGS HELD FOR
 24 SALE.—

25 (1) IN GENERAL.—

1 (A) Clause (iv) of section 47(c)(1)(A) of
2 such Code is amended to read as follows:

3 “(iv) depreciation (or amortization in
4 lieu of depreciation)—

5 “(I) is allowable with respect to
6 such building, or

7 “(II) in the case of a residential
8 property, would be allowable with re-
9 spect to such building but for the
10 building being held for sale.”.

11 (B) Paragraph (2) of section 47(c) of such
12 Code is amended by adding at the end the fol-
13 lowing new subparagraph:

14 “(E) SPECIAL RULE FOR CERTAIN PROP-
15 ERTY HELD FOR SALE.—For purposes of this
16 paragraph, in the case of a qualified rehabili-
17 tated building described in paragraph
18 (1)(A)(iv)(II), such building shall be treated as
19 owned by the taxpayer as rental property with
20 respect to which the straight line depreciation
21 method is used over a recovery period deter-
22 mined under subsection (c) or (g) of section
23 168.”.

24 (2) CONFORMING AMENDMENT.—Paragraph (4)
25 of section 50(a) of such Code is amended by striking

1 “or” at the end of subparagraph (A), but striking
2 the period at the end of subparagraph (B) and in-
3 serting “, or”, and by inserting after subparagraph
4 (B) the following new subparagraph:

5 “(C) property described in section
6 47(c)(1)(A)(iv)(II) that has not otherwise
7 ceased to be investment property.”.

8 (d) EFFECTIVE DATE.—The amendments made by
9 this section shall apply with respect to rehabilitations the
10 physical work on which begins after the date of enactment
11 of this Act.

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